



1. (a) PROPOSED RULES ON SPECIALIZED FUNDS/SCHEMES

Name/Citation of the Rule: Rules on Specialized Funds/Schemes

Definition of Terms

“Eligible Foreign Jurisdiction (EFJ)” means IOSCO Ordinary Member countries

Justification

Investments in foreign jurisdictions are limited to jurisdictions that are IOSCO compliant to ensure the free flow of information.

“Eligible securities/assets” mean:

- (a) Investments of a CIS as prescribed under the ISA;
- (b) Other securities registerable by the Commission that do not qualify as eligible investments of a CIS as prescribed by the ISA;
- (c) Negotiable securities and money market instruments which are tradable and transferable in regulated markets and Exchange of eligible foreign jurisdiction market;
- (d) Assets of an eligible Foreign jurisdiction market other than in (b) which are deemed liquid and whose selection is supported by a FMD2R;
- (e) Unquoted Securities traded on a SEC registered ‘Over the Counter’ Exchange;
- (f) Derivatives, Commodities and Other assets as may be prescribed or approved by the Commission from time to time.

Justification

To expand the investment universe of Specialized Funds/Schemes and distinguish them from traditional Mutual Funds by allowing for selection/inclusion of riskier assets and providing for diversification across a broader spectrum of assets class.

“Foreign Market Due Diligence Review Report (FMD2R)” means a Foreign Market Due Diligence Review to be undertaken by the Fund Manager to the Fund or proposed Fund showing the following:



- a. Risk and return profile of the market in which the security(ies) to be invested in is listed or traded;
- b. Risk and return profile and other relevant information on the Issuer of the security (ies) to be invested in;
- c. Risk management strategy of the Fund Manager with regards to the planned investments

Justification

To ensure that the Fund Manager of the Scheme conducts due diligence and risk analysis on the market and securities to be invested in.

“Qualified Investors” mean: Qualified Institutional Investors, and High Net Worth Investors, as defined under these Rules and Regulations

1. General Provisions

A Specialized Fund/Scheme shall:

- a) be subject to registration and authorization by the Commission;
- b) be offered only to qualified investors;
- c) be subject to the reporting requirements of a Unit Trust Scheme;
- d) have a minimum subscription level of not less than N5 million per investor;
- e) not be publicly listed but may be traded on an Over the Counter (OTC) Exchange

2. Qualifying Investor Requirement

Investor participation in an authorized Specialized Fund shall be restricted strictly to qualified investors

3. Investment Activities

- i. Investment activities of a Specialized Fund/Scheme shall be in assets that align with the investment objective of the Fund/Scheme as stated in the Fund/Scheme’s constituent documents.
- ii. A Specialized Fund may invest in eligible assets as prescribed under these Rules.



- iii. Assets shall be subject to limits of allocation specified in the Fund's constituent documents. The Fund Manager shall undertake continuous due diligence and risk assessment of such asset on an ongoing basis;

4. Borrowing Limit

Where borrowing is provided for, the borrowing limit or gearing ratio shall be disclosed in the Fund/Scheme's constituent documents

5. Exposure Limits in Derivative Transactions

Permissible exposure limits to counterparties in an OTC derivative transaction shall be clearly set and stated as a percentage of the Fund/Scheme's gross asset value in the Fund/Scheme's constituent documents.

6. Risk Diversification

In undertaking asset selection and allocation, the Fund Manager shall ensure appropriate risk diversification giving regards to the investment objective of the Fund/Scheme. The following limitations shall also apply:

- a) Asset – Not more than 20% of the Fund's total asset value shall be invested in the securities of the same issuer;
- b) Jurisdiction – Not more than 20% of the Fund's total value shall be invested in Eligible Foreign Jurisdictions.

7. Duties and Responsibilities of the Fund Manager of a Specialized Fund/Scheme

- i. **Investors Due Diligence:** The Fund Manager shall ensure that only qualified investors participate in the Scheme; therefore it shall conduct due diligence on the eligibility of interested investors, failing which it shall bear any liability that may arise from failure to undertake such due diligence.
- ii. **Valuation methodology and Frequency of valuation:** The Fund Manager shall exercise due diligence in ensuring that the Fund's underlying assets are valued in line with internationally acceptable standards relevant to the specific types of assets.



The basis and methodology of such valuation shall be disclosed in the Fund/Scheme's constituent documents and subsequently in valuation reports and pricing of the Fund/Scheme's net asset value and unit/ share price as well the Fund's periodic reports to investors.

8. Disclosure Requirements

The constituent documents of a Specialized Fund/Scheme shall include the following minimum information:

i. Investment Policy and Objective of the Fund:

This shall include the Fund/Scheme's investment strategy and asset class, justification for investment/ asset choice and any other information that may be required by the Commission.

ii. Responsibility statements to the effect that:

- a. Where there occurs an error in valuation of the Fund/Scheme's asset resulting in a mispricing of the Fund's/Scheme's unit price, the Fund Manager will take immediate action to remedy the error; or where the Custodian observes such error in valuation and pricing of the Fund/Scheme's unit price, it shall immediately bring this to the attention of the Fund Manager who shall immediately rectify same;
- b. Where a mispricing of units of the Fund/Scheme occurs, in the case on an over-valuation the Fund Manager shall retribute out of the Fund/Scheme assets existing investors and former investors whose holdings were part of the Fund/Scheme at the time the mispricing occurred by the margin of the difference arising from the mispricing including any accrued interests;

iii. Other Disclosure Requirements

- a. Names, profile and experience of the fund managers' principal officers and management team;
- b. tax implications;
- c. Material risks of investing in the Fund;
- d. Arrangements for the safe custody of assets;
- e. Statement of minimum investment required of an investor;
- f. policy on distribution of income and or reinvestment;



- g. relevant fees and charges connected with investment in the Fund;
- h. prohibition from investing in the fund manager's, its affiliates' and the fund sponsor's instruments;
- i. relevant investment restrictions (if any)
- j. provision for admission of new and withdrawal of existing investors;
- k. management participation in the Fund;
- l. the Fund's policy with respect to mispricing;
- m. Duration of the Fund;
- n. Risk Management and controls;
- o. Duties, responsibilities and liabilities of Trustee (if constituted as Trust);
- p. Duties, responsibilities and liabilities of Fund Manager/Management or Governing Board (if constituted as Investment Trust Company
- q. Duties, responsibilities and liabilities of Other Parties to the Scheme/Fund;
- r. Provision for meetings and voting quorum;
- s. Provision for termination or winding up of Scheme;
- t. Dispute resolution mechanism;
- u. A Foreign Market Due Diligence Review Report (where applicable)
- v. Provision for Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) controls;
- w. Any other material information as may be required by the Commission from time to time

9. Applicable fees

- i. Application fee - N50,000
- ii. Filing fee - N20,000
- iii. Authorization fee - 0.075% of the Fund size for Fund up to N10 billion.
- 0.050% of the Fund size for Fund over N10 billion

General Justifications

1. *In line with the core regulatory principle of ensuring an 'Orderly and Transparent market, registration and authorization of Specialized Funds/Schemes would ensure regulatory supervision that such Schemes that are restricted to Qualified Investors.*
2. *It is expected that this regulation would:*
 - i. *Facilitate the increase in number and variety of CIS products in the market;*
 - ii. *Allow for product diversification;*
 - iii. *Allow for product innovation;*
 - iv. *Attract greater inflow of investment Funds from Institutional investors and thereby increase the asset under management base.*

1.(b) PROPOSED RULES ON INVESTMENT ADVISORY SERVICES



The following guidelines shall be applicable to Capital Market Operators registered as Investment Advisers as defined in the Investments and Securities Act, 2007.

1. General

An investment adviser shall:

- i) abide by the Code of Ethics for Investment Advisers and the general code for all CMOs and their employees as stipulated in the Schedule IX of the SEC Rules and Regulations;
- ii) keep information about its client confidential and shall only divulge such information after obtaining the prior consent of that client except in cases where such disclosures are necessary in complying with a law or statutory order;
- iii) not enter into proprietary transactions that are contrary to advice given to clients for a period of fifteen days from the day of giving the advice provided that during the period, if the investment adviser is convinced that the circumstances have changed, it may then enter into such transactions after communicating a revised assessment to the client at least twenty-four hours before entering into such transactions;
- iv) document and comply with internal policies and procedures that are consistent with these regulations;

2. Fiduciary Duties to Clients

An Investment Adviser shall:

- i) avoid conflicts of interest with clients and is prohibited from taking unfair advantage of a client's trust
- ii) be sensitive to the conscious and subconscious possibility of providing less than disinterested advice, and may be faulted even when it does not intend to injure a client and even if the client does not suffer a monetary loss
- iii) have procedures in place that ensure that all clients are treated fairly and equitably

3. Client's Risk Assessment



- i) The Investment Adviser shall assess the client in order to determine the client's risk profile. In assessing the risk profile of a client, the investment adviser must consider the client's;
 - a) age;
 - b) financial status;
 - c) investment objectives;
 - d) risk appetite;
 - e) unique circumstances (if any);
 - f) constraints (legal or otherwise)
 - g) time horizon and;
 - h) any other factor that needs to be assessed

- ii) The Investment Adviser shall develop a questionnaire and other tools as deemed necessary in risk profiling the client. The questionnaire shall;
 - a) be separate and distinct from the account opening form;
 - b) be written in clear and understandable language; and
 - c) not be structured in a way that it contains leading questions

- iii) An Investment Policy Statement (IPS) shall be documented for each client at the conclusion of the risk assessment exercise.

- iv) Information provided by the client and the IPS shall be updated at a minimum of once a year.

4. Suitability

An Investment Adviser shall ensure that:

- i) Investment advice given is consistent with the client's IPS.



- ii) It has an adequate and reasonable basis for making recommendations to clients. It therefore has an obligation to investigate and research on any investment it is recommending.
- iii) It understands the nature and risks of asset classes or investment products selected for clients.

5. Disclosure to Clients

In making written disclosures to clients, an Investment Adviser shall ensure that disclosures are not less legible than the remainder of the content of such documents.

An Investment Adviser shall disclose to clients;

- i) and prospective clients, all material information about itself including its business, related parties, regulatory history, terms and conditions on which it offers advisory services and other material facts necessary to guide them in making an informed decision as to entering into or continuing an advisory relationship with it;
- ii) any consideration or compensation (monetary or otherwise) received or receivable by it or any related party for trading services in respect of the products or securities for which investment advice is provided to clients;
- iii) all compensation earned in any form from referrals with respect to investment advice given
- iv) its holding or position in investment products or securities which are the underlying subject of investment advice;
- v) all facts regarding conflicts of interest or potential conflict relating to any connection with any issuer of securities or other material facts that may compromise its independence in providing investment advisory services; and



- vi) warnings and disclaimers contained in prospectuses, advertising material and any other relevant document relating to investments being recommended

6. Record Keeping

An Investment Adviser shall maintain the following records;

- i) Know-Your-Customer (KYC) records of the client;
- ii) Risk assessment and IPS report of the client
- iii) Suitability assessment of the advice being provided
- iv) Copies of agreements with clients, if any;
- v) Investment advice provided, whether written or oral;
- vi) Rationale for arriving at investment advice, duly signed and dated; and
- vii) Register containing list of clients, date of advice, nature of advice, investment class and any related fees charged.

2. (a) PROPOSED AMENDMENTS TO RULES 96 AND 97 OF THE COMMISSION'S RULES AND REGULATIONS – INVESTMENT ADVISERS

- 1. **Proposed Creation/addition of New Sub-Rule (3) and (4) to Rule 96 as follows:**

(3) Exemptions to Registration

The following categories of institutions or professionals shall be exempted from registration as Investment Advisers:

- (a) The institutions and entities listed in Section 315 of the Investments and Securities Act (ISA) 2007;
- (b) an insurance company, agent or broker, who offers investment advice solely in insurance products and is registered under the Insurance Act for such activity;
- (c) a pension advisor who offers investment advice solely on pension products and is registered under the Pensions Act for such activity;



- (d) Persons who give general comments in good faith in regard to trends in the financial or securities market or the economic situation where such comments do not specify any particular securities or investment product;
- (e) Members of professional bodies recognized by law who provide investment advice to their clients, provided that such investment advice is solely incidental to the practice of their profession;
- (f) Broker/dealers and Portfolio Managers.

JUSTIFICATION

This is aimed at streamlining what constitutes investment advice as applicable in other jurisdictions.

(4) Investment Adviser's Representative

All investment advisory functions must be carried out by registered representatives (including undertaking of Investment research and financial planning and shall not be delegated. In addition to the requirements on registration, all investment adviser representatives must be qualified and certified to carry out this function as specified below:

(a) Qualification and Experience

An individual registered as an investment advisers' representative shall have the following minimum qualifications, at all times:

- i. A professional qualification or post-graduate degree in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a recognized degree awarding institution or association; or
- ii. A graduate in any discipline with an experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management.

(b) Certification

An individual registered as an investment advisers' representative shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services:

- i. from the Nigerian Capital Market Institute; or



- ii. from any other organization or institution provided that such certification is accredited by the Nigerian Capital Market Institute:
- c. All existing investment advisers shall comply with these certification requirements within one year of commencement of these guidelines.

JUSTIFICATION

In Malaysia, to carry out financial planning activities, an investment adviser representative must be a Certified Financial Planner (CFP) or Chartered Financial Consultant (CFC) with 3 years relevant experience in addition to relevant tertiary qualifications. To undertake Investment Research and Corporate Finance an advisory service, an investment adviser is required to pass modules 12 and 15 of the Securities Industry Development Centre (SIDC) examinations or any examination as determined by the Securities Commission.

In India, an investment adviser's representative is required to undergo relevant certification by the National Institute of Securities Markets (NISM) or any other certification accredited/approved by NISM, in addition to relevant tertiary qualifications.

In the United States, Investment Adviser's representative is required to pass relevant Series (65) examination of the FINRA.

2. Proposed Creation/addition of New Sub-Rule (5) to Rule 97 as follows:

- (5) An investment adviser shall comply with the Rules issued by the Commission on investment advisory services.

JUSTIFICATION

The incorporation of this sub-rule gives legal effect to the Rule being proposed.

2.(b) PROPOSED AMENDMENT TO RULE 61- NOMINEE ACCOUNTS

1. Full Text of Existing Rule 61:

(1) Definition of terms

For the purpose of this regulation the following terms shall have the meanings hereinafter assigned to them:

Nominee registration means the registration of securities by a custodian/agent, where it is stated that the custodian/agent are not the owners of the securities.



Nominee account means the custodians/agents account in which clients' securities are maintained.

Custodian/agent means corporate entity or firm authorized to hold securities owned by its clients.

Client means the person who receives the financial benefit from or bears the financial risk of securities and grants authorization to the custodian/agent to act in its own name and be registered as the beneficial owner of the securities.

Proposed Amendment to Rule 61:

(1) Definition of terms

Addition of the following to the definition of terms:

Nominee means any capital market operator (CMO) authorized by the Commission to hold clients' assets in its own name on behalf of its client and who holds such assets in a nominee account. Such CMOs include Custodians, Trustees, Funds/Portfolio Managers, Brokers and Broker/Dealers, and such other CMO as may be authorized by the Commission from time to time.

Nominee account means a securities account opened and maintained by an authorized nominee in accordance with these Rules.

Client means a person who is the beneficial owner of securities and the financial benefits and who authorizes the CMO to hold such securities in a nominee account.

2. **Full Text of Existing Rule 61 (2):**

Regulation of Nominee Account

(a) Application

Corporate entity or firm authorized to hold securities owned by its clients shall apply to the Commission for approval to hold these in a nominee account and accept payment on behalf of its clients from individual issuers of securities.



(b) Nominee Account Owners' approval

A client's securities shall not be registered in a nominee account without the client's consent. The custodian/agent shall inform the client of the legal effects of registering securities in a nominee account.

(c) Information on clients

The custodian/agent shall have information available on clients requesting nominee registration of securities. The custodian shall inform the client of the obligation to provide information to the Commission under this regulation.

The custodian/agent shall preserve information on nominee accounts, for five (5) years from the end of the business relationship.

(d) Record of clients and financial instruments

A custodian/agent holding securities in a nominee account shall maintain a record of the shares of each individual client. The record shall always include the names and numbers of clients associated with the securities registered in the nominee account, as well as the number of securities covered by each nominee registration agreement. The record shall be prepared in such a way that there is no doubt regarding the ownership of financial instruments.

(e) Identification of financial instruments registered in nominee accounts

The registrar of securities shall identify securities registered in nominee accounts separately in its records, so that there is no doubt as to which securities are held in nominee accounts.

(f) Bankruptcy of custodians/agents

In the event that a custodian's/agent's estate is subjected to bankruptcy proceedings or a moratorium is granted on its debts, or the custodian/agent is wound up or comparable measures are taken, the client may, on the basis of the record provided, withdraw its securities from the nominee account, provided that their ownership is not disputed.

(g) Rights conferred by securities

No other rights conferred by securities besides the rights provide herein are attached to a nominee account. Voting rights at shareholders' meetings are not attached to nominee accounts (except expressly required to do so in writing).

(h) Permission to accept payments, etc



A custodian/agent is permitted to accept payments on behalf of its clients from individual issuers of securities, including rights to dividends or other payment and rights to new shares in the event of an increase in share capital. The custodian/agent shall keep these payments separate from its other assets.

(i) Supervision and provision of information (Information on business)

The Commission reserves the right to demand from a custodian/agent the disclosure of the identity of the clients registered as owners of securities held in a nominee account at any specific point in time.

A custodian/agent shall provide the Commission with the information required under (a) in the form and within the time limit as specified by the Commission.

(j) Revocation of registration

(i) The Commission may revoke the registration of the custodian/agent in a nominee account:

(a) If the custodian/agent violates the provision of the rules and regulations of the Commission regarding the provision of information to the Commission on nominee accounts.

(b) If the custodian/agent in other respects commits serious or repeated violations of the legal provisions to which its activities are subject.

(ii) Before any revocation pursuant to (i) (b) above, the custodian/agent may be given a period of one (1) month to rectify the situation, if rectification is possible in the estimation of the Commission.

(iii) Revocation of the custodian's/agent's license for approval in a nominee account shall be notified to the board of directors of the custodian and reasoned in writing.

(iv) Where the approval of a custodian/agent is revoked the nominee accounts shall be transferred to another custodian/agent, which shall only be operated as a nominee account where the nominee enters into a new agreement with the new custodian/agent.

Proposed amendment to Rule 61 (2):



Regulation of Nominee Account

(a) Application

A CMO authorized by the Commission to hold securities on behalf of its clients and who seeks to hold such securities in a nominee account shall apply to the Commission for approval.

(b) **Eligibility Requirements for a Capital Market Operator seeking to Operate Nominee Account**

The capital market operator shall:

- i. at all times maintain current assets sufficient to meet its current liabilities;
- ii. maintain documented policies, procedures and internal control measures that ensure the effective management of the Nominee and clients' assets are safeguarded and segregated;
- iii. put in place appropriate risk management controls and procedures that provide substantial assurance of continuity of its nominee business for the foreseeable future;
- iv. indemnify every client of the Nominee against any loss sustained in consequence of a breach by the Nominee of its agreement with its client;
- v. file quarterly returns on the activities of its Nominee to the Commission in the prescribed format from time to time.

(c) **Client's approval**

- i. A client's securities shall not be registered in a nominee account without the client's consent. The CMO shall inform the client in writing of the legal effects of registering securities in a nominee account.
- ii. A standard agreement shall be executed between the CMO and the client. The agreement shall specify, amongst other things, the client's specific instruction as well as duties, rights and obligations of the CMO and the client.

(d). **Record of clients and financial instruments**

- i. A CMO holding securities in a nominee account shall maintain a record of the securities of each individual client. The record shall always include the names and numbers of clients associated with the securities registered in the nominee account, as well as the number of securities covered by each nominee agreement. The record shall be prepared in such a way that there is no doubt regarding the ownership of financial instruments.



- ii. The CMO shall immediately provide a client with any information reasonably required by the client concerning assets held on his behalf.
- iii. The CMO shall preserve information on nominee accounts, for ten (10) five (5) years from the end of the business relationship.

(f) **Bankruptcy of a CMO**

In the event that a CMO's estate is subjected to bankruptcy proceedings or a moratorium is granted on its debts, or the CMO is wound up or comparable measures are taken, the client may, on the basis of the record provided, withdraw its securities from the nominee account, provided that their ownership is not disputed.

(g) **Rights conferred by securities**

No other rights conferred by securities besides the rights provided herein are attached to a nominee account. Voting rights at shareholders' meetings are not attached to nominee accounts (except expressly required to do so in writing).

(h) **Permission to accept payments, etc**

A custodian/agent CMO is permitted to accept payments on behalf of its clients from individual issuers of securities, including rights to dividends or other payment and rights to new shares in the event of an increase in share capital. The custodian/agent CMO shall keep these payments separate from its other assets.

(i) **Supervision and provision of information (~~Information on business~~)**

- i. The CMO shall inform the client of the obligation to provide information to the Commission under this regulation.
- ii. The Commission reserves the right to demand from a CMO the disclosure of the identity of the clients registered as owners of securities held in a nominee account at any specific point in time.
- iii. Where a nominee holds up to 10% stake in a single company, details of all beneficial owners and their holdings shall be forwarded to the Commission immediately and thereafter quarterly.
- iv. A CMO shall provide the Commission with the information required under this section in the form and within the time limit as specified by the Commission.



(j) Revocation of Registration

- i. The Commission may revoke the approval registration of a CMO to operate a nominee account:
 - (a) If the CMO violates the provision of the rules and regulations of the Commission regarding the provision of information to the Commission on nominee accounts.
 - (b) If the CMO commits serious or repeated violations of the legal provisions to which its activities are subject.
- ii. Before any revocation pursuant to (i) (b) above, the CMO may be given a period of one (1) month to rectify the situation, if rectification is possible in the estimation of the Commission.
- iii. Revocation of the CMO's approval to operate a nominee account shall be notified to the board of directors of the CMO in writing.
- iv. Where the approval of a CMO is revoked the nominee accounts shall be transferred to another CMO which shall only be operated as a nominee account where the nominee enters into a new agreement with the new CMO.

2.(c) PROPOSED AMENDMENTS TO REGULATIONS FOR DEMUTUALIZATION OF SECURITIES EXCHANGES IN NIGERIA

Provision and definition of the phrase "stakeholder group" in the "**Definition of Terms**" section of the Rule as follows:

"Stakeholder group" means any group that has a claim, stake or interest in the Securities Exchange

Justification

The Rules does not contain the definition of Stakeholder Group as used in the body of the said Rules. The definition is thus important to provide clarity and guidance.

Addition of the phrase "subject to Rule 7" at the beginning of Rule 5(3) as follows:

Existing Rule 5(3)

The aggregate equity interests of members of any specific stakeholder group in the demutualized Securities Exchange shall not exceed 40% or as may be prescribed by the Commission from time to time



Proposed amendment to Rule 5(3)

Subject to the provision of Rule 7 t the aggregate equity interests of members of any specific stakeholder group in the demutualized Securities Exchange shall not exceed 40% or as may be prescribed by the Commission from time to time.

Justification

Rule 7 provides for a 5-year timeline within which any stakeholder group is required to reduce its aggregate shareholding in the Exchange post demutualization. This addition to Rule 5(3) is thus made to ensure these related rules are read together.

2.(d) PROPOSED AMENDMENTS TO THE RULES ON FUND/PORTFOLIO MANAGEMENT OPERATIONS AND RULE ON BOOK BUILDING

1. Existing Rule on Fund/Portfolio Management Operations

a. Existing definition of Retail Investor

Retail Investor means an individual not otherwise classified as 'High Net Worth Investor (HNI) or as 'Qualified Institutional Investor (QII) who invests with a registered Capital Market Operator and:

- i. has on aggregate (inclusive of tangible and intangible assets) a net worth not exceeding 100 million Naira;
- ii. does not possess the requisite knowledge, expertise/skill experience and sophistication for investment management;
- iii. has low to moderate risk tolerance threshold;
- iv. undertakes the investment for his or her own beneficial account, or on behalf of a minor as parent or guardian.

Proposed amendment to definition of Retail Investor (to be extracted from its current location in the Rules and be made a stand-alone provision in the Rule Book)

Retail Investor means an individual not otherwise classified as High Net-worth Investor (HNI) or as Qualified Institutional Investor (QII) who invests with a registered capital market investor and:

- i. Has on aggregate a net-worth (excluding personal homes, automobiles and furniture) of less than N100 million Naira.



b. Existing definition of High Net Worth Investor

High Net Worth Investor means an individual whose aggregate net worth of investment assets exceeds 100 million Naira, in addition to:

i possession of evident capacity, expertise and sophistication to undertake high risk investment activities; or

Proposed definition of High net worth Investor (to be extracted from its current location in the Rules and be made a stand-alone provision in the Rule Book)

High **Net-worth Investor** means an individual with a net-worth of at least N100, excluding personal homes, automobiles and furniture

2. Proposed amendment to the Rule on Bookbuilding

Deletion of existing Rule 321- Definition of High Net-worth Investor

~~**High Net-Worth Investor** means an individual with net worth of at least 300 million Naira, excluding automobiles, homes and furniture~~

GENERAL JUSTIFICATIONS

The amendment is principally for the purpose of harmonizing the definitions of the terms "Retail Investor" and "High net worth Investor" as the Rules contain conflicting provisions regarding the terms.

In arriving at the new definitions, the purchasing power parity in Nigeria in comparison to the U.S was considered and was found to presently translate to 94.1/\$, while per capita average income is about N70,000 per annum. This suggests that an individual with a minimum of N100 million is far above average in economic terms and has the capacity to seek/hire professional advice. Consideration was also given to the fact that whilst there was no direct benefit from either being considered as a retail investor or HNI, HNIs are permitted to take greater risks in the form of the kind of instruments or products they can invest in.

Furthermore, while considering what should be the measure of a person's net-worth, it was considered prudent not to tie it to investable money on the one hand, and on the other, exclude fixed assets that are for personal use –as opposed to those deployed for business/income generation.

2.(e) PROPOSED AMENDMENT TO THE CODE OF CORPORATE GOVERNANCE

Existing Provision of the Code sought to be amended



Clause 1.3(d)

Whenever SEC determines that a company or entity required to comply with or observe the principles or provisions of this code is in breach, the SEC shall notify the company or entity concerned specifying the areas of non-compliance or non-observance and the specific action or actions needed to remedy the non-compliance or non-observance;

Proposed amendment: Deletion of Clause 1.3(d) as follows:

~~Whenever SEC determines that a company or entity required to comply with or observe the principles or provisions of this code is in breach, the SEC shall notify the company or entity concerned specifying the areas of non-compliance or non-observance and the specific action or actions needed to remedy the non-compliance or non-observance;~~

Justification

This provision is redundant in view of the mandatory nature of the Code. Companies are mandated to comply with its provision failing which they will be sanctioned without first requiring them to remedy the non-compliance or non-observance.

Note: All comments and input should be forwarded to the Secretariat, Rules Committee of the Commission, via, rulescommittee@sec.gov.ng or through the DG, SEC, not later than two (2) weeks from the date of this publication.